

69 FR 10205, March 4, 2004

C-475-821  
Sunset Review  
Public Document

## MEMORANDUM

TO: James J. Jochum  
Assistant Secretary  
for Import Administration

FROM: Ronald K. Lorentzen  
Acting Director, Office of Policy

SUBJECT: Issues and Decision Memorandum for the Full Sunset Review of the Countervailing Duty Order on Stainless Steel Wire Rod from Italy: Preliminary Results

### Summary:

We analyzed the substantive responses and rebuttals of the interested parties in the full sunset review of the countervailing duty order on Stainless Steel Wire Rod (“SSWR”) from Italy. We recommend that you approve the positions we have developed in the *Discussion of the Issues* section of this memorandum for these preliminary results of review. Below is the complete list of the issues in this full sunset review for which we received substantive responses by parties:

1. Likelihood of continuation or recurrence of countervailable subsidies
2. Net countervailable subsidy likely to prevail
3. Nature of the subsidy

### History of the Order:

On September 15, 1998, the Department published the countervailing duty order on SSWR from Italy. See Notice of Countervailing Duty Order: Stainless Steel Wire Rod from Italy, 63 FR 49334 (September 15, 1998). In the final affirmative countervailing duty determination, the following seventeen programs were found to confer countervailable subsidies:

#### *Government of Italy*

- 1) *Equity Infusions to Finsider and ILVA*
- 2) *Pre-Privatization Assistance and Debt Forgiveness*
- 3) *Capacity Reduction Payments Under Law 193/1984*
- 4) *Law 796/76 Exchange Rate Guarantees*
- 5) *Export Credit Financing Under Law 227/77*
- 6) *Law 451/94 Early Retirement Benefits*

#### *Italian Regional Programs:*

- 1) *Lease of Cogne Industrial Site*
- 2) *Loans Provided to CAS to Transfer Its Property*
- 3) *Valle D'Aosta Regional Law 64/92*
- 4) *Valle D'Aosta Regional Law 12/87*
- 5) *Lease of Bolzano Industrial Site*
- 6) *Lease Exemption to Valbruna/Bolzano*
- 7) *Province of Bolzano Law 25/81*
- 8) *Electricity<sup>1</sup>*
- 9) *Waste Plant*

#### *European Union:*

- 1) *ECSC Article 54 Loans*
- 2) *European Social Fund*

See Final Affirmative Countervailing Duty Determination: Certain Stainless Steel Wire Rod from Italy, 63 FR 40474 (July 29, 1998), (“Final Determination”). The Department determined a countervailing

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<sup>1</sup> In the investigation we found that these two last programs (Electricity and Waste Plant) do not exist. However, we noted that if the investigation resulted in an order, we would review these allegations in any subsequent review to determine whether a benefit would have been provided to CAS. See Final Determination. Accordingly, these programs are included for informational use only because CAS has been excluded from the order.

duty rate of 22.2 percent for Cogne Acciai Speciali S.r.l. (“CAS”); and 1.28 percent for Acciaierie Valbruna S.r.l. and Acciaierie Bolzano S.r.l. (collectively Valbruna). The Department determined the all others rate at 13.85 percent *ad valorem*.

The Department completed only one administrative review of the subject countervailing duty order. See Stainless Steel Wire Rod From Italy: Notice of Final Results of Countervailing Duty Administrative Review, 67 FR 63619, (October 15, 2002) (“Administrative Review”). Four other reviews were requested but later rescinded. In the review, the Department calculated the countervailable subsidy rate solely for the exporter Valbruna. *Id.* The Department determined only 5 programs (see below) conferred subsidies at the net subsidy rate of 0.27 percent for Valbruna. *Id.*

- 1) *Law 451/94 Early Retirement Benefits - .09 percent*
- 2) *Province of Bolzano Law 25/81 (Articles 13-15) - .07 percent*
- 3) *Province of Bolzano Law 25/81 (Environmental and Research and Development Assistance) - de minimis*
- 4) *Lease of Bolzano Industrial Site - 0.11 percent*
- 5) *The European Social Fund - de minimis*

In the administrative review the Department noted that Acciaierie Valbruna S.r.l. and Acciaierie Bolzano S.r.l. merged, effective January 1, 2000, and that the name of the merged companies changed to Acciaierie Valbruna S.p.A.

In the Issues and Decision Memorandum for the Determination under Section 129 of the Uruguay Round Agreements Act: Final Affirmative Countervailing Duty Determination: Stainless Steel Wire Rod from Italy, October 24, 2003, (“Section 129 Memo”), the Department determined that the privatization of CAS was at arm’s-length and for fair-market-value, and that allegations of broader market distortions were not sufficiently supported. Accordingly, any allocable, non-recurring subsidies

granted to CAS prior to its privatization were extinguished in their entirety and, therefore, are non-countervailable. On November 7, 2003, the U.S. Trade Representative requested the Department, pursuant to section 129(b)(4) of the Uruguay Round Agreements Act, to implement the determination in the Section 129 Memo. See Notice of Implementation under Section 129 of the Uruguay Round Agreements Act, 68 FR 64858, (November 17, 2003). Accordingly, the Department excluded CAS from the countervailing duty order on certain stainless steel wire rod from Italy and revised the “all others rate.” *Id.* at 16.

Therefore, rates from the original investigation are now as follows:

Valbruna	1.28 percent
All others	1.28 percent

There have been no changed circumstances reviews found in relation to this order. Thus, the order remains in effect for all known producers and exporters of SSWR from Italy, except for CAS, effective November 7, 2003.

This preliminary sunset determination reflects the Department’s implementation with regards to the exclusion of CAS from the order pursuant to the Department’s Section 129 determination. As a result of the exclusion of CAS from the order, the following CAS-specific programs are no longer subject to consideration in this sunset review, and a new net subsidy rate will be determined for all other Italian exporters, as addressed in the net subsidy rate section:

- 1) *Equity Infusions to Finsider and ILVA*
- 2) *Pre-Privatization Assistance and Debt Forgiveness*
- 3) *Lease of Cogne Industrial Site*
- 4) *Italian Regional Programs to Provide Electricity*
- 5) *Italian Regional Programs to Provide Waste Disposal Services*
- 6) *Loans Provided to CAS to Transfer Its Property*

- 7) *Valle D'Aosta Regional Law 64/92*
- 8) *Valle D'Aosta Regional Law 12/87*

The programs that will be considered in this sunset review are:

- 1) *Capacity Reduction Payments Under Law 193/1984*
- 2) *Law 796/76 Exchange Rate Guarantees*
- 3) *Export Credit Financing Under Law 227/77*
- 4) *Law 451/94 Early Retirement Benefits*
- 5) *Lease of Bolzano Industrial Site*
- 6) *Lease Exemption to Valbruna*
- 7) *Province of Bolzano Law 25/81*
- 8) *ECSC Article 54 Loans*
- 9) *European Social Fund*

Background:

On August 1, 2003, the Department initiated a sunset review of the countervailing duty (“CVD”) order on SSWR from Italy pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”). See Initiation of Five-Year (Sunset) Reviews, 68 FR 45219 (August 1, 2003). The Department received a notice of intent to participate from Carpenter Technology Corporation,<sup>2</sup> the domestic interested party, within the applicable deadline (August 18, 2003) specified in section 351.218(d)(1)(I) of the Sunset Regulations. See Response of Carpenter Technology at 2. Carpenter Technology claimed interested-party status under section 771(9)(C) of the Act, as a U.S. producer of the domestic like product. Carpenter Technology was a petitioner in the investigation and has been involved in this proceeding since its inception. Id.

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<sup>2</sup>Carpenter Technology, AL Tech Specialty Corporation, Republic Engineered Steels, and Talley Metals Technology, Inc. filed the original petition. Since the order, Carpenter Technology acquired Talley Metals Technology, Inc.

The Department received a complete substantive response to the notice of initiation on behalf of three respondent interested parties: the Government of Italy (“GOI”), the Delegation of the European Commission (“EC”), and CAS. On August 28, 2003, we received a substantive response from the EC expressing its willingness to participate in this review as the authority responsible for defending the interest of the Member States of the European Union (“EU”). See Response of the EC (unpaginated), August 28, 2003 (“EC Response”). Valbruna chose not to participate in this sunset review. On August 29, 2003, we received a response from the GOI expressing its willingness to participate in this review as the authority responsible for defending the interests of the Italian steel industry. Response of the GOI (unpaginated) (August 29, 2003) (“GOI Response”). The GOI and EC note that they have in the past participated in this proceeding. See EC Response, (August 29, 2003), and the GOI Response, (August 28, 2003). On September 2, 2003, we received a substantive response from CAS, a foreign producer and exporter of the subject merchandise as well as the respondent interested party under section 771(9)(A) of the Act, expressing its willingness to participate in this review as well as providing information relating to the pending Section 129 review. See Response of CAS at 2, September 2, 2003 (“CAS Response”). CAS noted that it has participated in the original investigation only. Id. However, because CAS has been excluded from the original order as a result of the Section 129 determination and is therefore no longer an interested party in this sunset proceeding, its comments will not be addressed. In addition, any comments submitted by Carpenter Technology, the EC, and the GOI pertaining to CAS or to programs specific to CAS have been rendered moot by CAS’ exclusion and will not be addressed.

On September 2, 2003, we received a complete substantive response from Carpenter

Technology, the domestic interested party, within the 30-day deadline specified in the Department's Regulations under section 351.218(d)(3)(I) and a complete substantive response from CAS.

We received rebuttal comments from Carpenter Technology on September 8, 2003 ("Rebuttal"). Pursuant to 19 C.F.R. § 351.218 (e)(2)(I), the Department determined to conduct a full (240-day) sunset review of this order. See Memorandum for Ronald K. Lorentzen, Re: Stainless Steel Wire Rod from Italy, September 24, 2003; Adequacy of Respondent Interested Parties' Response to the Notice of Initiation. No rebuttal comments were received from the GOI or EC.

Discussion of the Issues:

In accordance with section 751(c)(1) of the Act, the Department is conducting this review to determine whether revocation of the countervailing duty order would be likely to lead to continuation or recurrence of a countervailable subsidy. Section 752(b) of the Act provides that, in making this determination, the Department shall consider the net countervailable subsidy determined in the investigation and subsequent reviews and whether any change in the program which gave rise to the net countervailable subsidy has occurred and is likely to affect that net countervailable subsidy. Pursuant to section 752(b)(3) of the Act, the Department shall provide to the International Trade Commission ("the Commission") the net countervailable subsidy likely to prevail if the order is revoked. In addition, consistent with section 752(a)(6) of the Act, the Department shall provide to the Commission information concerning the nature of the subsidy and whether it is a subsidy described in Article 3 or Article 6.1 of the 1994 WTO Agreement on Subsidies and Countervailing Measures ("Subsidies Agreement").

Below we address the substantive responses and rebuttal comments of the interested parties.

Due to numerous programs determined to be countervailable during the investigation, we address the interested parties' comments by category in the following order.

*Comment 1: Termination of Countervailing Programs*

*Comment 2: Prohibition of Community State Aid to the Steel Sector - Commission Decision 2496/96 of December 18, 1996*

*Comment 3: Capacity Reduction Payments under Law 193/84*

*Comment 4: Exchange Rate Guarantee Program under Law 796/76*

*Comment 5: Article 54 ECSC Loan Program*

*Comment 6: European Social Fund*

*Comment 7: "Double Protection" of Section 201 Steel Safeguard Remedy*

*Comment 8: Programs Not Raised in Responses to this Sunset Review (Subsidies to Valbruna)*

1. Continuation or Recurrence of a Countervailable Subsidy: Interested Parties' Comments

*Comment 1: Termination of Countervailable Programs*

In its September 2, 2003 substantive response, Carpenter Technology (the domestic interested party) argues that the revocation of the countervailing duty order on SSWR from Italy would lead to unfair subsidization by the GOI, as well as material injury to the U.S. industry. See Carpenter Technology Response at 2. Carpenter Technology also states there is evidence of a likelihood of continuation or recurrence of subsidies if this order were revoked. Id. In addition, Carpenter Technology, citing to the Department's Sunset Policy Bulletin and the Statement of Administrative Action ("SAA") in the Uruguay Round Agreements Act, argues that the subsidies found in the investigation continue to confer benefits on Italian producers/exporters of subject merchandise. Id. at 22-23.

In its substantive response Carpenter Technology asserts the GOI and the EC granted countervailable benefits in the above-mentioned programs to Italian manufacturers of SSWR. Id. at 4-



5. Carpenter Technology also states the imposition of countervailing duties upon Italian imports of SSWR has had dramatic impact on the import volumes based on the increase of the importers' prices or the reduction in volume. Id. at 23.

In their individual responses, the GOI and the EC state that revocation of the order is not likely to lead to recurrence of subsidization because the EU steel sector has undergone a major restructuring in recent years under the careful monitoring of the EC, and steel producers in the EU are now mostly privately operated and compete on commercial terms in international markets. See GOI Response and the EC Response. In addition, both respondents state that revocation of the order will not impact the EC policy on aid to the steel sector, which is one of the strictest among WTO Members following the adoption of a series of Commission Decisions ("the Community Steel Aid Codes"). Id. Further, the GOI and EC state that the specific programs found countervailable in the investigation are now terminated and are therefore no longer available for the Italian steel industry. Id. They further assert that the benefits allocated under those programs must have been substantially reduced or even eliminated by the passing of time and that any future subsidization of the steel sector is not only highly unlikely but no longer possible. Id. Thus, all respondents assert that because the programs deemed countervailable have been terminated and all benefits have ceased, revocation of the countervailing duty order would not be likely to lead to continuation or recurrence of a countervailing subsidy.

*Department Position:* The Department found seventeen countervailable programs in the investigation. See Final Determination. However, as a result of the exclusion of CAS pursuant to Section 129, only 9 programs from the investigation remain for consideration in this sunset review. Of these remaining programs, some have residual benefits beyond the period of the sunset review. The

Department will normally determine that a countervailable subsidy will continue to exist when the benefit stream continues beyond June 2004, the completion date of the sunset review. See Policy Bulletin 98-3, Section III(A)(4), 63 FR 18871 at 18763. As such, we preliminarily determine that benefits from certain countervailable subsidies on Italian producers/exporters are likely to continue or recur were the order revoked.

*Comment 2: Prohibition of Community State Aid to the Steel Sector - Commission Decision 2496/96 of December 18, 1996*

The GOI and EC contend that Commission Decision 2496/96 of December 18, 1996 (“the Commission Decision”), which entered into force on January 1, 1997, prohibits the granting of aid to the steel industry, except under three distinct circumstances: for the closing of facilities, for environmental reasons, and for research and development. See GOI Response and EC Response. Moreover, the GOI and EC argue that aid for the environment and research and development reflects the type of aid which is not actionable under Article 8 of the Subsidies Agreement and must be provided in accordance with the relevant Community Frameworks (Articles 2 and 3 of the Commission Decision) which specify that aid can only compensate for a part of the eligible costs incurred by the company. Id. Therefore, the GOI and EC conclude that such aid is non-specific within the meaning of Article 2 of the WTO Agreement on Subsidies and Countervailing Duties. Id.

*Department Position:* In a prior proceeding, the EC and the GOI asserted a similar argument that subsidy programs to the Italian steel industry have been terminated due to specific governmental action and that subsidization of the steel sector in the EU is strictly prohibited following the adoption of

the EU Commission Decision. See Oil Country Tubular Goods From Italy; Final Results of Sunset Review of Countervailing Duty Order, 65 FR 66701 (November 7, 2000). Contrary to the assertions of the EC and the GOI, subsidies regarding the environment and research and development may be actionable. The green light provisions of Article 8 expired on December 31, 1999, and when in force, only applied to programs that met certain strict requirements. Thus, the green light provision is not relevant to this case. Accordingly, without any evidence that the programs have been terminated, or that the benefits from programs for which benefits are allocated over time will not continue beyond this sunset review, we preliminarily determine that revocation of the countervailing duty order is likely to lead to continuation or recurrence of a countervailable subsidy.

*Comment 3: Capacity Reduction Payments under Law 193/84*

The GOI and the EC assert that grants under *Law 193/84* have been terminated and are, therefore, no longer available to the Italian steel industry. See GOI Response and EC Response. The GOI and EC contend that *Capacity Reduction Payments under Law 193/84* were terminated on December 31, 1986. See GOI Response, Annex 1 (August 29, 2003). The GOI cites to an annual financial report prepared by its Ministry of Finance in support of their assertion. Id. Carpenter Technology did not provide rebuttal comments regarding *Law 193/84*.

*Department Position:* We determined in our original investigation that Valbruna was the only company that used this program. See Final Results, 63 FR 40474. In the administrative review, we found that Valbruna did not use the benefits granted under *Capacity Reduction Payments under Law 193/84*. See Administrative Review at 67 FR at 63620. The EC and GOI assert in an annex that

grants under *Law 193/84* were eliminated based on the 1986 financial report of the Ministry of Finance. See GOI Response, Annex 3. However, this document does not indicate that the program was terminated. Without evidence that the program has been terminated, we preliminarily determine that revocation of the countervailing duty order is likely to lead to continuation or recurrence of a countervailable subsidy.

*Comment 4: Exchange Rate Guarantee Program under Law 796/76*

The GOI and EC assert that the Department has recognized that the *Exchange Rate Guarantee Program* was terminated effective July 10, 1992, by the Decree Law 333/92. Id., citing Final Countervailing Duty Determination: Stainless Steel Sheet and Strip in Coils from Italy, 64 FR 30624 (June 8, 1999). Carpenter Technology argues that the Department should find that this countervailable subsidy is likely to continue for other Italian producers and exporters of the subject merchandise if the order is revoked. See Rebuttal at 4.

*Department Position:* The Department notes that the exchange rate guarantee program under Law 796/76 was terminated July 10, 1992 by Decree 333/92, but that the pre-existing exchange rate guarantees continue on any loans outstanding after the termination date. See Final Affirmative Countervailing Duty Determination: Stainless Steel Plate in Coils From Italy, 64 FR at 15513, (March 31, 1999). In the original investigation, only Valbruna used this program. See Final Determination, 63 FR 49327. However, we determined that Valbruna no longer used this program in its administrative review. See Administrative Review, 67 FR at 63620. Because the program was terminated and Valbruna would have been unable to acquire new loans after the period covered by the administrative review, we find that revocation of the countervailing duty order is not likely to lead to continuation or recurrence of a countervailable subsidy with respect to Law 796/76.

*Comment 5: Article 54 ECSC Loan Program*

The EC responded that the Article 54 ECSC loan program expired in July 2002 and that no new loans have been granted since 1998. See EC Response. As stated previously, Carpenter

Technology points out that the EU has allowed aid to its steel industry in programs such as ECSC Article 54. See Rebuttal at 2. Therefore, Carpenter Technology argues that the Department should regard the EU's assertion as irrelevant to this review.

*Department Position:* Although we confirmed that the ECSC Treaty expired in July 2002, we have no evidence whether the loans under this program were repaid or loans were unavailable after 1998. Absent an administrative review after the treaty expiration, we cannot determine in this proceeding that Italian producers/exporters no longer receive benefits from the above program. As such, we preliminarily determine that benefits of a countervailable subsidy on Italian producers/exporters are likely to continue or recur were the order revoked.

*Comment 6: European Social Fund*

The GOI and the EC both argue that the European Social Fund has substantially changed so that it is no longer specific; thus, the Department should find this program no longer countervailable. See GOI Response and EC Response (citing to Annex 1). Carpenter Technology points out that the EC has allowed aid to its steel industry in programs such as the European Social Fund. See Rebuttal at 2. Therefore, the Department should regard the EC's assertion as irrelevant to this review.

*Department Position:* We found benefits under the European Social Fund to be countervailable in the original investigation. See Final Determination, 63 FR at 40487-88. In the administrative review the subsidy rate was not calculated, only determined to be so small as to not affect the overall *de minimis* rate for Valbruna. See Administrative Review, 67 FR at 63620. As explained in the Issues and Decision Memorandum for the review, the Department did not consider the

specificity of the European Social Fund because the overall *ad valorem* rate would be *de minimis*.

See Issues and Decision Memorandum: Final Results of the Administrative Review of the

Countervailing Duty Order on Stainless Steel Wire Rod from Italy, page 5, October 7, 2002. Because

the European Social Fund still exists and has been found to provide a countervailing subsidy, we

preliminarily determine that the revocation of the countervailing duty order is likely to lead to a

continuation or recurrence of a countervailable subsidy.

*Comment 7: “Double Protection” of Section 201 Steel Safeguard Remedy*

The GOI asserts that the U.S. International Trade Commission (“USITC”) admitted coverage provided by the Section 201 remedy was sufficient to protect the U.S. steel industry, and no further measures were needed. See GOI response (referring to Certain Cold Rolled Steel Products case, USITC publication 3551, November 2002). Thus, the continuation of countervailing duty measures would result in “double protection.” Id.

*Department Position:* In accordance with section 204(b)(1)(A) of the Trade Act of 1974, President Bush terminated the safeguard measures with respect to certain steel products, including SSWR, on December 4, 2003. See Proclamation 7741 of December 4, 2003, 68 FR 235, (December 8, 2003). The President considered the termination based on information provided in USITC Report TA-204-9 (September 19, 2003) and advice from the Departments of Labor and Commerce. Id. As a result, further consideration of the GOI’s comment is unnecessary.

*Comment 8: Programs Specific to Valbruna*

- 1) *Early Retirement Benefits under Law 451/94*
- 2) *Lease of Bolzano Industrial Site*
- 3) *Lease Exemption to Valbruna*
- 4) *Province of Bolzano Law 25/81: Articles 13-15*
- 5) *Province of Bolzano Law 25/81: Environmental Investment*

The GOI argues that Law 451/94 and Bolzano Law 25/81 were terminated in 1997 without citing to a legal decree and approximate date. See GOI Response, Annex 1. Also, the GOI asserts that the lease exemption to Valbruna was only for the first two years and now Valbruna pays rent that reflects market prices in industrial areas. Id.

*Department Position:* As stated in the History of the Order section of this memorandum, Valbruna completed an administrative review for calendar year 2000. Administrative Review at 63620. In the final results of that review, we found countervailable benefits provided under Law 451/94 and Law 25/81 as well as the lease of the Bolzano industrial site. Id. We did not determine that any of these programs were terminated, and without evidence that the government eliminated the programs, we continue to consider them in this sunset review. See Policy Bulletin 98-3, Section III(A)(5), 63 FR 18871 at 18875; See also SAA at 888 under Elimination of a Subsidy Program. Therefore, we preliminarily determine that these programs continue to provide countervailable subsidies.

Regarding the lease exemption (an agreement between the Province of Bolzano and Valbruna), we stated that this program provided non-recurring subsidies because its provision is limited by the terms of the lease to the first two years of the 30-year lease. See Final Determination at 40485.



Accordingly, the lease exemption ceased to exist. Thus, we preliminarily determine that the revocation of the countervailing duty order is not likely to lead to a continuation or recurrence of a countervailable subsidy from the lease exemption.

Preliminary Results of This Review:

We preliminarily determine that benefits from the following programs would likely continue or recur were the order revoked.

- 1) *Capacity Reduction Payments Under Law 193/1984*
- 2) *Export Credit Financing Under Law 227/77*
- 3) *Law 451/94 Early Retirement Benefits*
- 4) *Lease of Bolzano Industrial Site*
- 5) *Province of Bolzano Law 25/81*
- 6) *ECSC Article 54 Loans*
- 7) *European Social Fund*

Accordingly, we preliminarily determine that only two programs, *Law 796/76 Exchange Rate Guarantees* and the *Lease Exemption to Valbruna*, are no longer countervailable. Because at least one countervailable program for Italian producers/exporters exists, we preliminarily determine there is a likelihood that countervailable subsidies will continue or recur were the order revoked. See Policy Bulletin, Section III(A)(3)(a), 63 FR 18871 (April 16, 1998).

2. Net Countervailable Subsidy Likely to Prevail

Interested Parties Comments:

Carpenter Technology asserts that based on information from the original

investigation and subsequent investigations involving the subject producer, the Department should find that countervailable subsidies would likely prevail at a significant rate if the order were revoked. See Rebuttal at 5.

In their responses, GOI and EC assert that the likelihood of continuation or recurrence of subsidization is nil and does not justify the maintenance of countervailing duty measures on exports of the subject merchandise at any rate for the reasons stated above. See Responses of GOI and EC.

*Department Position:* Consistent with the SAA at 890, and the House Report at 64, the Department normally will select a rate from the investigation as the net countervailable subsidy likely to prevail if the order is revoked because that is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order in place. See Sunset Policy Bulletin, Section III.B.1. Where the Department determined company-specific countervailing duty rates in the original investigation, the Department normally will report to the International Trade Commission company-specific rates from the original investigation or, where no company-specific rate was determined for a company, the Department normally will provide to the USITC the country-wide or “all others” rate. See Sunset Policy Bulletin, Section III.B.1.

Although the SAA at 890, and the House Report at 64, provide that the Department normally will select a rate from the investigation, this rate may not be the most appropriate if, for example, the rate was derived (in whole or part) from subsidy programs which were found in subsequent reviews to be terminated, there has been a program-wide change, or the rate ignores a program found to be countervailable in a subsequent administrative review. Therefore, the

Department may make adjustments to the net countervailable subsidy determined pursuant to paragraphs III.B.1 and III.B.2.

On the net subsidy rate to report to the USITC, in the original investigation the Department found a net subsidy rate of 22.22 percent for CAS (since excluded from the order pursuant to Section 129), 1.28 percent for Valbruna, and 13.85 percent “all others.” The Department completed one administrative review that covered one manufacturer/exporter, Valbruna. Seventeen programs were reviewed. Five programs were found to be countervailable for Valbruna. The all others rate remained unchanged, 13.85 percent. See Stainless Steel Wire Rod from Italy; Notice of Final Results of Countervailing Duty Administrative Review, 67 FR 63619 (October 15, 2002). However, consistent with Section 129 Determination, the Department revoked the order for CAS, and changed the all others rate from 13.85 percent to 1.28 percent, effective November 7, 2003. See Notice of Implementation Under Section 129 of the Uruguay Round Agreements Act; Countervailing Measures Concerning Certain Steel Products From the European Communities, 68 FR 64858 (November 17, 2003).

In the Sunset Policy Bulletin, we stated that the Department may make adjustments to the net countervailable subsidy determined pursuant to section III. B.2., including, but not limited to, where the Department has conducted an administrative review of the order, and found that a program was terminated with no residual benefits and no likelihood of reinstatement. For the countervailing duty order on SSWR from Italy, the Department conducted one administrative review. We agree with GOI and the EC that Law 796/76 Exchange Rate Guarantee Program has officially been terminated, and the Lease Exemption for Valbruna ceased after two years.

Because these programs have been eliminated, we have reduced the net subsidy rate as found in the original investigation in accordance with section III. B.2 of the Sunset Policy Bulletin. Consistent with the Sunset Policy Bulletin, the SAA at 890, and the House Report at 64, the Department will provide to the USITC the net countervailable subsidy rate as contained in the Preliminary Results of Review of this notice.

3. Nature of the Subsidy:

Consistent with section 752(a)(6) of the Act, the Department will provide to the Commission information concerning the nature of the subsidy, and whether the subsidy is a subsidy described in Article 3 or Article 6.1 of the Subsidies Agreement. Because receipt of benefits provided by the GOI's countervailable program is contingent upon exports, the following program falls within the definition of export subsidies under Article 3.1 (a) of the subsidies Agreement:

Export Credit Financing Under Law 227/77 – Under Law 227/77, the Mediocredito Central S.p.A. (Mediocredito), a GOI-owned development bank, provides interest subsidies on export credit financing. Under the program, the Mediocredito makes an interest contribution to offset the cost of a supplier's or buyer's credit financed by a commercial bank. The Department determined that the interest contributions provided on the Valmix loan constitute a countervailable export subsidy under section 771(5) of the Act. See Final Determination.

Preliminary Results of Review:

The Department preliminarily finds that revocation of the countervailing duty order would likely

lead to continuation or recurrence of a countervailable subsidy at the rates listed below:

<u>Manufacturer/Producer/Exporter</u>	<u>Net Countervailable Subsidy (percent)</u>
Valbruna	0.82
All Others	0.82

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Any interested party may request a hearing within 30 days of publication of this notice in accordance with 19 CFR 351.310(d)(I). Any hearing, if requested, will be held on April 28, 2004. Interested parties may submit case briefs no later than April 19, 2004, in accordance with 19 CFR 351.309(c)(1)(I). Rebuttal briefs, which must be limited to issues raised in the case briefs, may be filed not later than April 26, 2004, in accordance with 19 CFR 351.309(d)(I). The Department will issue a notice of final results of this sunset review, which will include the results of its analysis of issues raised in any such briefs not later than June 28, 2004.

This five-year (“sunset”) review and notice are in accordance with section 751(c), 752, and 771(I)(1) of the Act.

Recommendation: Based on our analysis of the comments received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the Preliminary Results of Review in the Federal Register.

AGREE \_\_\_\_\_

DISAGREE \_\_\_\_\_

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James J. Jochum  
Assistant Secretary  
for Import Administration

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Date